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U.S. BANKRUPTCY COURT
EASTERN DISTRICT OF WASHINGTON

UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF WASHINGTON

In re:)
DELEN WOOD PRODUCTS, INC., a) No. 04-03640-W11
Washington corporation,)
Debtor.) MEMORANDUM DECISION RE:
SIXTH AMENDED DISCLOSURE
STATEMENT

Dellen Wood Products, Inc. (hereinafter "Dellen Wood") filed for Chapter 11 relief on May 5, 2004. The matter currently before the Court is the approval of the Debtor's Sixth Amended Disclosure Statement filed on September 21, 2005. There are two pending objections to this Disclosure Statement. One objection was filed by the United States Trustee and the other by Pristina Pine, LLC (hereinafter "Pristina"). Debtor's Fifth Amended Plan was filed July 28, 2005.

11 U.S.C. § 1125 requires disclosure of adequate information to a hypothetical "reasonable investor" before a plan proponent may solicit acceptances of a plan or reorganization. 11 U.S.C. § 1112(b) gives the court wide discretion to convert a reorganization case to a liquidation case or to dismiss for cause depending on which is in the best interest of creditors and the estate. Cause may include the inability to effectuate a plan or unreasonable delay by the debtor which is prejudicial to creditors. The court may act *sua sponte* or upon motion of a party in interest.

In the eighteen months that this Chapter 11 has been pending,

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1 the Debtor has been unable to propose a Disclosure Statement that
2 meets the requirements of 11 U.S.C. § 1112(b) or to propose a plan
3 which appears confirmable.

4 The Dellen Wood Chapter 11 is related to the Chapter 11
5 commenced by BDR Corporation (hereinafter "BDR"). Very
6 simplistically, BDR is a corporation (owned by various members of
7 the Lentes family) which owns a large industrial parcel of
8 property. Dellen Wood is also a corporation owned by various
9 members of the Lentes family and is the largest tenant of the BDR
10 real estate. Bank of America has a lien on the real estate and the
11 underlying obligation of BDR to Bank of America was guaranteed by
12 Dellen Wood. General Electric Capital Corporation (hereinafter
13 "GECC") has a judgment against both BDR and Dellen Wood. In its
14 petition, Dellen Wood listed assets with a value of \$1,054,000.
15 Although there were various disputes with creditor Pristina which
16 had to be resolved early in the case and involved significant
17 efforts on the part of the debtor, this Chapter 11 is by no means
18 a large or complicated case.

19 On October 13, 2004, five months after commencement of the
20 case, a hearing occurred regarding extension of the exclusivity
21 period for the debtor to file its plan. The debtor indicated that
22 a liquidation plan would be filed. The Court extended the
23 exclusivity period to November 2, 2004. Thus began the saga of
24 attempted plan confirmation.

25 A Disclosure Statement and Plan were filed on **November 2,**
26 **2004.** The Disclosure Statement did not clearly indicate whether
27 the debtor would liquidate its assets or continue business
28 operations. No clear distinction or explanation was made of the

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1 financial interrelationship between BDR and Dellen Wood. The First
2 Amended Disclosure Statement was filed **February 1, 2005**. That
3 Disclosure Statement stated that the business would continue to
4 operate. At the status conference regarding approval of that
5 Disclosure Statement, liquidation was again discussed because an
6 offer to purchase the assets of Dellen Wood had been received.
7 Another Disclosure Statement ("Third Amended Disclosure Statement")
8 and Plan were filed on **March 7, 2005**. At the hearing on April 12,
9 2005, the Court noted numerous inconsistencies and ambiguities in
10 that Disclosure Statement and Plan. As had been the situation in
11 earlier Disclosure Statements, there was confusion or lack of
12 explanation of the financial relationship and joint liabilities
13 between BDR and Dellen Wood, and it appeared that the Lentes family
14 would receive benefit under the Plan without payment to unsecured
15 creditors. An order was entered requiring the debtor to file
16 another Disclosure Statement by April 27, 2005. Another Disclosure
17 Statement ("Fourth Amended Disclosure Statement") and Plan were
18 filed on **May 6, 2005**. That Disclosure Statement did not clearly
19 indicate whether the debtor proposed liquidation or a continuation
20 of the business. Again, information regarding the financial
21 liability of the debtor was confusing. Another Disclosure
22 Statement ("Fourth (sic) Amended Disclosure Statement") and Plan
23 were filed on **May 13, 2005**. As was true of prior Disclosure
24 Statements, objections to approval of that Disclosure Statement
25 were filed. At the hearing to approve that Disclosure Statement,
26 the Court indicated that many of the previous defects appeared in
27 the then current version of the Disclosure Statement and Plan, and
28 stated that the deficiencies were "too numerous to mention"

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1 individually. The debtor was required to file an amended
2 Disclosure Statement by June 28, 2005. The debtor was warned that
3 failure to cure the deficiencies in the Disclosure Statement and
4 obtain approval would result in conversion or dismissal. The
5 debtor then requested an extension to July 28, 2005 which was
6 granted. A Disclosure Statement ("Fifth Amended Disclosure
7 Statement") and Plan were filed on **July 28, 2005**. Another
8 Disclosure Statement ("Sixth Amended Disclosure Statement") was
9 filed **September 21, 2005**. The last Disclosure Statement ("Amended
10 Sixth Amended Disclosure Statement") was filed and served
11 **September 28, 2005**. At the hearing on September 29, 2005 to
12 approve the Fifth Amended Disclosure Statement, counsel for debtor
13 indicated that the Amended Sixth Amended Disclosure Statement filed
14 September 28, 2005 was filed erroneously and was merely a duplicate
15 of the one filed September 21, 2005. The Sixth Amended Disclosure
16 Statement filed on September 28, 2005 had been served on the Master
17 Mailing List with an objection period and none of the parties at
18 the hearing had had an opportunity to review the same.

19 The objecting parties argued the various deficiencies in the
20 Sixth Amended Disclosure Statement at the hearing on September 29,
21 2005. Because neither the Court nor any of the parties had had an
22 opportunity to review the Disclosure Statement filed September 28,
23 2005, no decision regarding approval of the Disclosure Statement
24 occurred. The Court indicated that once the new objection period
25 had passed it would consider the merits of the objections filed to
26 the prior Disclosure Statement and render this decision. This
27 decision concerns the Disclosure Statement filed on September 21,
28 2005 as the pleading filed September 28, 2005 is substantively

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1 identical. The Sixth Amended Disclosure Statement filed
2 September 21, 2005 is in support of the liquidating Plan filed
3 July 28, 2005 but contains various provisions which appear to
4 contemplate the continuation of business by the debtor.

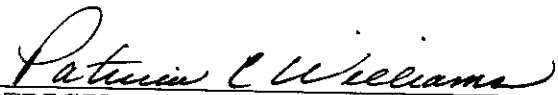
5 First, the fact that the debtor has proposed eight (8)
6 Disclosure Statements, none of which have met the requirements for
7 approval, justifies conversion or dismissal of this case. The
8 Disclosure Statement need only support liquidation of the debtor's
9 assets, a course of action decided many months ago. Second, even
10 though the Sixth Amended Disclosure Statement filed September 21,
11 2005 has fewer inconsistencies and ambiguities than prior filed
12 Disclosure Statements, it is inconsistent with the Plan it purports
13 to describe. For example, the claim of GECC is listed in the Plan
14 with a balance of \$1,266,104, but in the Sixth Amended Disclosure
15 Statement it is listed as a claim of \$70,000. The Plan and Sixth
16 Amended Disclosure Statement disagree as to whether that claim is
17 disallowed. In the Plan, Class 4 consists of only GECC, but in the
18 Sixth Amended Disclosure Statement, Bank of America is added to
19 Class 4. The Sixth Amended Disclosure Statement refers to new
20 stock to be issued in exchange for a payment of \$10,000 (with a
21 later reference to a payment of \$20,000), but no provision is made
22 in the Plan to issue new stock. The Sixth Amended Disclosure
23 Statement no longer contains any references to the pending
24 litigation to be settled, but the proposed \$100,000 settlement
25 relating to that litigation figures prominently in the Plan.

26 The debtor has had ample opportunity to file a Disclosure
27 Statement in support of a Plan. Failure to obtain approval of an
28 adequate Disclosure Statement and confirm a Plan in the eighteen

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1 months this case has been pending constitutes cause and
2 unreasonable delay which is prejudicial to creditors. With
3 significant assets available for liquidation, (such liquidation may
4 have in part already occurred) conversion appears the better
5 choice. The Court hereby exercises its equitable powers and
6 converts this Chapter 11 case to one under Chapter 7. The Court
7 will sign an Order to that effect.

8 DATED this 18th day of November, 2005.

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11 PATRICIA C. WILLIAMS
12 Bankruptcy Judge
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